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## OFFICE MEMORANDUM

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**DATE:** December 3, 1999

**TO:** Regional Engineers  
Regional Associate Delivery Engineers  
Regional Construction Engineers  
Delivery/Resident/Project Engineers/TSC Managers  
Regional Materials Supervisors/Engineers

**FROM:** C. Thomas Maki  
Chief Operations Officer

Gary D. Taylor  
Chief Engineer/Deputy Director  
Bureau of Highway Technical Services

**SUBJECT:** Bureau of Highway Instructional Memorandum 1999-14  
Processing of Contract Modifications

Process re-engineering recommendations have been approved for changing the procedures for processing contract modifications. These changes are now being implemented to expedite the approval of contract modifications by delegating approval responsibility to the most appropriate level. The new approval process is based on the use of FieldManager software. In the new process only one initiator (delivery/resident/project engineer) and one approver at the TSC level will be required. These procedures will take effect on December 1, 1999, for contract modifications, including CPRKS and hand written recommendations.

**Procedures for Processing Contract Modifications for Projects Assigned to MDOT Delivery/Resident/Project Engineers and Consultant Project Engineers**

The region's engineer (herein defined as the region delivery, project, resident or consultant engineer as the "responsible engineer" in charge) will check to assure that the contract modification does not exceed State Administration Board limits. Procedures for contract modifications that are not over the State Administrative Board limits shall be as follows.

State Administrative Board limits (not requiring approval) are:

Original Contract Price	Changes	Extras & Adjustments*
\$0 to \$800,000	Not exceeding: 25 percent on projects of \$25,000 or less 15 percent on projects from \$25,000 to \$49,999 10 percent on projects \$50,000 and over	Up to \$48,000 total per contract
\$800,000 and Greater	Any amount less than 110 percent of the original contract price	Any amount less than 6 percent of original contract price, unless any one item is greater than \$100,000

\* Adjustments that are contract mandated, such as price adjustments for incentives, do not count against the balance of available extras. All other adjustments are counted as extras and are subtracted from the available balance of extras. Adjustments should always be in dollars.

Explanations must be included for changes in the contract of more than \$10,000 and for all extras and adjustments. At a minimum, the explanation must indicate where the work was done, what was done, why it was needed, how the cost was determined, and a note showing any preapprovals.

For MDOT administered projects, the responsible engineer shall prepare the contract modification and sign under the "Recommend By" line block. The original contract modification shall be forwarded to the contractor for review and signature. The contractor shall return the original signed contract modification to the engineer. If not returned within 21 calendar days, the engineer shall continue processing the contract modification.

For MDOT projects administered by consultants, their engineer shall prepare the contract modification and sign the "Prepared by" box. The consultant shall fax the contract modification to the region's engineer for review. The region's engineer has seven calendar days to review and respond to the contract modification. The contract modification shall be initialed under the "Recommend By" line block and faxed to the consultant. If comments are necessary, they should be attached. If the contract modification is not returned to the consultant within seven days, they shall forward the contract modification to the contractor. The contractor shall return the original signed contract modification to the consultant. If the contract modification is not returned within 21 calendar days from the date submitted to the contractor, the consultant shall continue the process by forwarding the contract modification to the region's engineer.

The region's engineer will forward the contract modification to the TSC manager for authorization. The TSC manager will sign the contract modification in the "Authorized by . . ." box and forward the original

contract modification to the Construction and Technology Division's Construction Contracts Unit. The Construction Contracts Unit shall enter the modification into the Construction Authorization System (CAS) and copy the region's engineer who can then generate an estimate.

### **Procedures for Processing Contract Modifications Requiring FHWA Approval**

FHWA must approve all contract modifications that contain extras on "Non-Exempt" projects. The FHWA also must approve "extension of time" contract modifications for federally funded projects that include an incentive/disincentive with FHWA participation.

Contract modifications requiring FHWA approval must continue to be submitted to Construction and Technology Division's Construction Contracts Unit for processing. Print on the top of the contract modification "**Requires FHWA Approval.**" Preliminary contact by the region's engineer with the FHWA area engineer concerning the contract modification will expedite the process. Please note any preapproval agreements with FHWA on the contract modification.

The FHWA has seven calendar days to review and approve for federal participation. If not returned from FHWA after seven calendar days, the Construction Contracts Unit will post the contract modification and will notify the region's engineer to continue the payment process.

### **Contract Modifications That Require State Administrative Board Approvals**

#### **Extras**

An extra that requires State Administrative Board approval will continue to be submitted to Construction and Technology Division's Construction Contracts Unit for processing. The contract modification must provide complete and accurate information. The TSC manager will authorize by signing the contract modification. However, payment must not be made until the TSC manager is notified by the Construction Contracts Unit of the State Administrative Board Approval.

The written explanation, taken from the contract modification, will be used as the justification for State Administrative Board approval. The explanation must include what is being proposed, where it is needed, why it is needed, how the cost is determined, and who is participating in the costs.

The region's engineer must print across the top of the contract modification "**Requires State Administrative Board Approval.**" The Construction Contracts Unit will compose the Administrative Board writeup from the contract modification. Construction Contracts Unit will e-mail the write up to the TSC manager for review and approval by return e-mail.

The item(s) will be placed on the next available State Transportation Commission and/or State Administrative Board agendas by the Construction and Technology Division's Construction Contracts Unit.

The TSC manager may be required to attend the State Transportation Commission meeting and answer questions concerning the item(s). Once the contract modification has been approved by the State Administrative Board, the contract modification will be posted, stamped and dated by the Construction and Technology Division with the State Administrative Board approval date. The approved contract modification will be returned to the region's engineer. The item(s) can then be placed on an estimate.

### **Overruns**

The Financial Services Division will notify the Construction and Technology Division's Construction Contracts Unit when a project is in overrun status. The Construction Contracts Unit will contact the region's engineer to determine if the project will need State Administrative Board approval (i.e., all contract modifications have been processed). The region's engineer will assist in providing the Construction and Technology Division's Construction Contracts Unit with the details necessary for the Construction Contracts Unit to prepare the writeup.

The overrun request will be placed on the earliest State Transportation Commission and Administrative Board agendas. The TSC manager may be required to attend the State Transportation Commission meeting and answer any questions if required. Once approved by the State Administrative Board, the Financial Services Division will increase the contract budget. Payments that were held will then be released.

Please refer to the State Transportation Commission and State Administrative Board meeting schedules to be aware of critical dates.

### **State Transportation Commission Approvals**

Not all State Administrative Board contract modifications need State Transportation Commission approval. The new limits requiring State Transportation Commission approvals are:

Extras: Ten percent cumulative over the contract amount for extras that have not previously gone to the State Administrative Board. Also any individual extra over \$250,000 needs State Transportation Commission approval.

Overruns: Fifteen percent over the contract amount for regular work items.

An increased or extra pay item that is 100 percent local agency funded does not require State Transportation Commission approval.

The TSC manager will add a note to the State Administrative Board notification statement, on top of the contract modification, "and STC approval", if required.

### **Contract Modification From Local Agencies**

The local agency engineer will check to assure that the contract modification does not exceed State Administrative Board limits. If the contract modification exceeds State Administrative Board limits, the contract modification shall be processed as noted under **"Contract Modifications That Require State**

**Administration Board Approvals.** Explanations must be included for changes in the contract for more than \$10,000 and for all extras and adjustments. At a minimum, the explanation shall indicate where the work was done, what was done, why it was needed, how the cost was determined, and a note showing any preapprovals.

If applicable, the "**Procedures for Processing Contract Modifications requiring FHWA Approvals**" will be followed.

The local agency engineer will prepare the contract modification and forward to the contractor for approval. Once returned to the local agency engineer by the contractor, they will forward the contract modification to the TSC for review and recommendation for approval by the region's engineer.

If acceptable, the TSC manager will authorize the contract modification and send a copy to the Construction and Technology Division for posting. Once posted, the Construction and Technology Division will return copies of the contract modification to the TSC and the local agency engineer. The local agency engineer can then submit an estimate on the authorized items.

This is an interim Bureau of Highway Instructional Memorandum based on the current FieldManager technology. This memorandum will be revised to reflect technology upgrades in future versions of FieldManager.

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C. Thomas Maki  
Chief Operations Officer

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Gary D. Taylor  
Chief Engineer/Deputy Director

Subject Index: Contracts, Subcontracts

Attachments

BOHTS:C/T:RDC:kab

cc: C&T Division Engineers  
C&T Division Technicians  
Real Estate, M. Frierson  
Design Division, P. Miller  
Maintenance Division, C. Roberts  
Traffic & Safety Div., J. O'Doherty  
OEO - A. Suber  
T. Maki  
G. Taylor  
J. Klee  
S. Kulkarni  
J. Reincke  
R. Knapp  
J. Ruskowski  
V. Blaxton  
B. Jay

K. Trentham  
MRBA  
MAPA  
MCPA  
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MAA  
AUC  
CRAM  
MML  
MRPA  
J. Culp  
S. Cook  
R. Endres  
T. Hynes  
G. Mayes  
P. O'Rourke

D. Smiley

J. Staton

R. Till